

AN ACT
RELATING TO THE REGULATION OF MOTOR VEHICLE FRANCHISES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 322A.1, subsection 5, Code 2009, is amended to read as follows:

5. a. *"Franchise"* means a contract between two or more persons when all of the following conditions are included:

~~a.~~ (1) A commercial relationship of definite duration or continuing indefinite duration is involved.

~~b.~~ (2) The franchisee is granted the right to offer and sell motor vehicles manufactured or distributed by the franchiser.

~~c.~~ (3) The franchisee, as an independent business, constitutes a component of franchiser's distribution system.

~~d.~~ (4) The operation of the franchisee's business is substantially associated with the franchiser's trademark, service mark, trade name, advertising, or other commercial symbol designating the franchiser.

~~e.~~ (5) The operation of the franchisee's business is substantially reliant on franchiser for the continued supply of motor vehicles, parts, and accessories.

b. "Franchise" includes a separate written agreement between the franchisee and the franchiser which materially affects the franchise, whether entered into prior to the date of the franchise, contemporaneously with the franchise, or subsequent to the date of the franchise.

Sec. 2. NEW SECTION. 322A.18 Duty of good faith.

A franchise imposes on the parties a duty of good faith in performance and enforcement of the franchise agreement. *"Good faith"* means honesty in fact and the observance of reasonable

commercial standards of fair dealing in the trade.

Sec. 3. NEW SECTION. 322A.19 Jurisdiction.

1. A condition, stipulation, or provision in a franchise restricting jurisdiction to a forum outside this state is void.

2. A condition, stipulation, or provision in a franchise providing that the franchisee consents to the jurisdiction of a forum outside this state is void.

3. A civil action or proceeding arising out of a franchise may be commenced wherever jurisdiction over the parties or subject matter exists, even if the franchise limits actions or proceedings to a designated jurisdiction.

Sec. 4. NEW SECTION. 322A.20 Choice of law.

1. A condition, stipulation, or provision in a franchise requiring the application of the law of another state in lieu of this chapter is void.

2. A condition, stipulation, or provision in a franchise that the franchise is to be governed by or construed in accordance with the law of another state is void.

Sec. 5. NEW SECTION. 322A.21 Waivers void.

A condition, stipulation, or provision in a franchise requiring a franchisee to waive compliance with or relieving a person of a duty or liability imposed by or a right provided by this chapter or order under this chapter is void. This section shall not affect the settlement of disputes, claims, controversies or civil lawsuits arising or brought pursuant to this chapter by written release or other written document where separate and adequate consideration is offered and accepted.

Sec. 6. NEW SECTION. 322A.22 Other line-makes.

A condition, stipulation, or provision in a franchise prohibiting or restricting the franchisee from continuing another line-make at the dealership or adding an additional line-make to the dealership is void. This section does not limit a franchiser from establishing good cause for the termination of a franchise pursuant to sections 322A.2 and 322A.11 on the grounds that the franchisee's dealership facility is not adequate to accommodate an additional line-make that has been added to the franchisee's dealership.

Sec. 7. NEW SECTION. 322A.23 Customer lists.

A condition, stipulation, or provision in a franchise which requires the franchisee to provide its customer lists or service files to the franchiser is void. This section shall not apply to notification by the franchisee to the franchiser of the delivery of a new motor vehicle to a customer, including information necessary to complete the sale of the vehicle, or

to the submission to the franchiser of a claim for warranty parts, recalls, repairs, or services supplied or performed by the franchisee.

Sec. 8. NEW SECTION. 322A.24 Construction.

This chapter shall be liberally construed to effectuate its purposes.

JOHN P. KIBBIE
President of the Senate

PATRICK J. MURPHY
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2234, Eighty-third General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved _____, 2010

CHESTER J. CULVER
Governor